THE AGRICULTURAL SITUATION IN RELATION TO BANKING

A Report On Agricultural Conditions as of April 1, 1940, prepared by the Bureau of Agricultural Economics, United States Department of Agriculture, presented by

Norman J. Wall
Head, Division of Agricultural Finance

Meeting of the Executive Committee of the Agricultural Commission, American Bankers Association, April 22, 1940, Hot Springs, Virginia

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

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April 18, 1940.

Mr. J. H. McBirney,
Chairman, Agricultural Commission,
American Bankers Association,
Homestead Hotel,
Hot Springs, Virginia.

Dear Mr. McBirney:

We are presenting for the consideration of your Executive Committee, a report entitled "The Agricultural Situation in Relation to Banking", in response to the request contained in your letter of January 4, 1940.

This report is an experimental venture in making available periodic information relating to agriculture for the use of bankers throughout the United States. This report was initially suggested by Mr. F. Lee Major, Vice President of the Boatmen's National Bank of St. Louis, the former chairman of your Agricultural Commission. In a conference here in Washington last November, participated in by President F. D. Farrell of your Advisory Council, and Director Dan H. Otis, this idea was discussed further, and it was suggested that this report be prepared for consideration of your committee on April 22.

We feel that there is a definite need for a better understanding of the influence of agricultural commodity conditions and of the agricultural programs of governmental agencies upon general banking policies, particularly those of banks in agricultural areas. The Department of Agriculture is interested in furthering this understanding and will be glad to cooperate in developing constructive programs which will tend to improve the banking service to American agriculture.

Very truly yours,

Norman J. Wall

Norman J. Wall,
Head, Division of Agricultural Finance.

Enclosure

THE AGRICULTURAL SITUATION IN RELATION TO BANKING

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Agricultural conditions have a direct bearing upon the operations of commercial banks throughout the country. Changes in the volume of farm income influence the value of collateral that farmers can offer as security for loans and also influence their ability to repay advances already obtained.

Wide movements in the flow of farm income likewise result in marked changes in the level of deposits of banks in agricultural areas. Such changes in turn are reflected in somewhat corresponding movements in bankers' balances held with correspondent banks in the larger centers. Policies of country banks relative to the sale or purchase of both short-term and long-term securities are also influenced by these developments. In recent years, the Commodity Credit Corporation loan program has made available a type of loan which, while originating in agricultural areas, has frequently been repurchased by institutions in the larger centers.

Demand deposits of member banks of the Federal Reserve System in places of less than 15,000 population, are now at the highest level in history. There is a close relationship between changes in the volume of these deposits and the purchases made by agricultural communities at retail stores, as shown in figure 1. Changes in farm income, which are a major factor in influencing the level of deposits in country banks, in turn are influenced by conditions in industrial centers. The close relationship between the changes in farm income and the changes in the total national income, particularly that portion of the national income which is represented by the earnings of industrial workers is indicated in figure 2.

Approximately 91 percent of all insured commercial banks held agricultural loans according to a survey made at the end of 1934. At the end of December 1939, insured commercial banks of the United States held $1,628,562,000 of agricultural loans. Of this amount $1,094,392,000 represented loans on personal and collateral security and $534,170,000 represented loans on farm real estate security. Agricultural loans held by commercial banks have increased approximately 55 percent since the end of 1936 at which time such loans totaled $1,081,148,000. At the end of 1920 commercial banks held $5,317,374,000 of agricultural loans. Much of the increase since 1936 represents an increase in Commodity Credit Corporation loans (figures 3 and 4).

DEMAND DEPOSITS AND RURAL RETAIL SALES, 1929-40

INDEX NUMBERS (1929-31=100) ADJUSTED FOR SEASONAL VARIATION

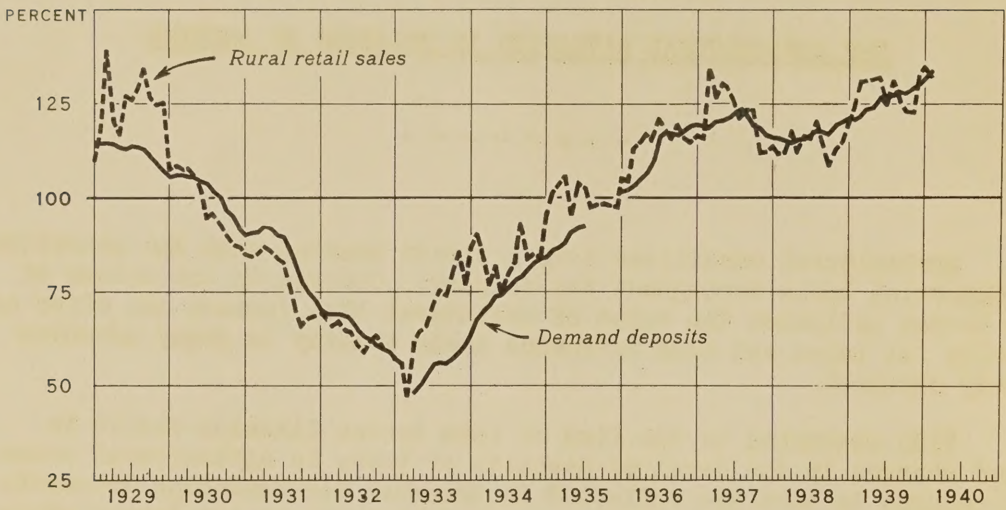

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FIGURE 1.- THE LEVEL OF DEMAND DEPOSITS OF COUNTRY BANKS IS INFLUENCED BY CHANGES IN FARM INCOME AND PRICES RECEIVED BY FARMERS. AS DEMAND DEPOSITIS OF COUNTRY BANKS REFLECT THE COMPOSITE INFLOW AND OUTFLOW OF FUNDS IN AGRICULTURAL COMMUNITIES, THIS SERIES SERVES AS A ROUGH MEASURE OF AGRICULTURAL PURCHASING POWER.

CASH FARM INCOME, NATIONAL INCOME, AND INCOME OF INDUSTRIAL WORKERS, 1924-39

INDEX NUMBERS (1924-29=100)

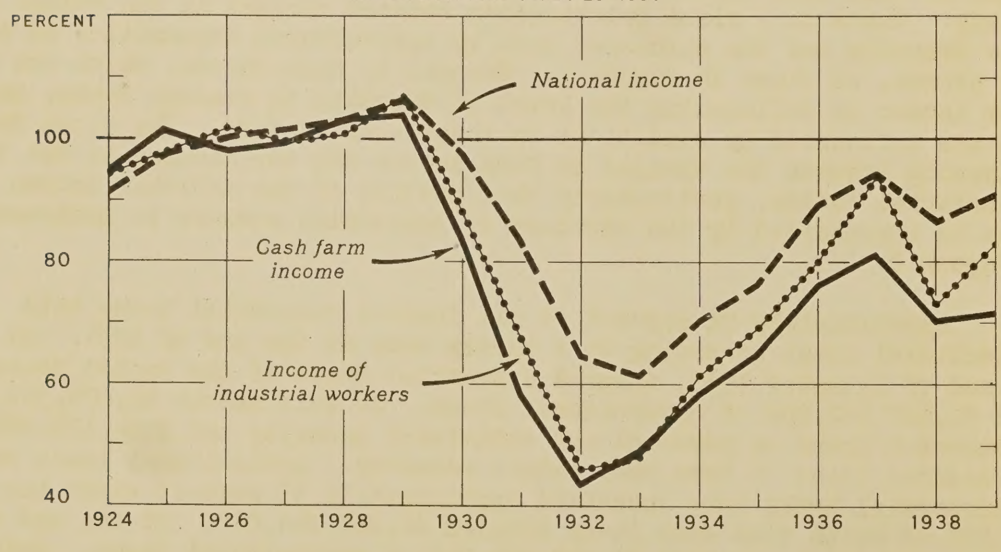

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FIGURE 2.- CHANGES IN THE PURCHASING POWER OF CONSUMERS GREATLY INFLUENCE PRICES OF FARM PRODUCTS. SINCE CHANGES IN FARM PRICES ARE LARGELY RESPONSIBLE FOR CHANGES IN FARM INCOME, THERE IS A CLOSE RELATION BETWEEN FLUCTUATIONS IN THE INCOME OF CONSUMERS AND IN FARM INCOME.

SHORT-TERM LOANS TO FARMERS HELD BY COMMERCIAL BANKS AND FEDERAL AGENCIES, COMPARED WITH INDEX OF PRICES RECEIVED BY FARMERS

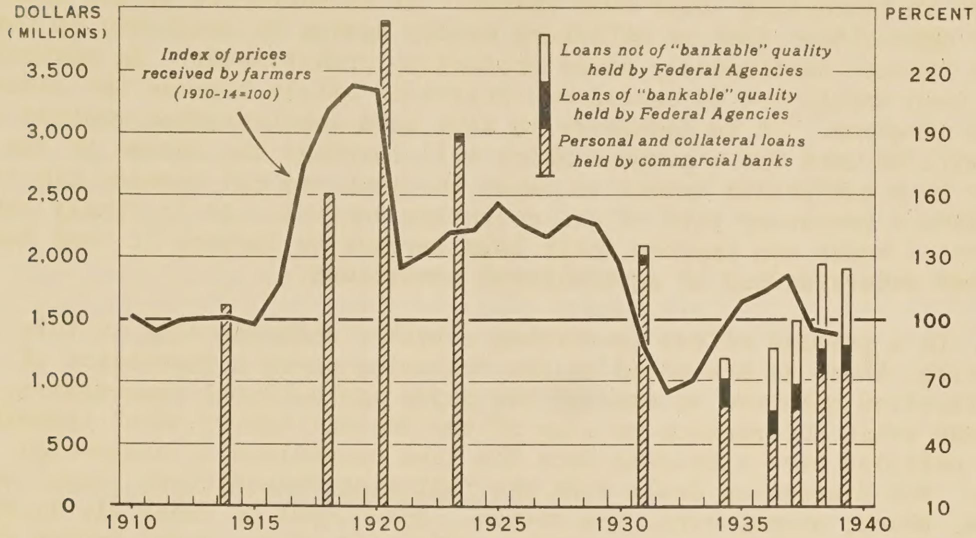

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FIGURE 3.- VOLUME OF PERSONAL AND COLLATERAL LOANS TO FARMERS HELD BY COMMERCIAL BANKS HAS TENDED TO FOLLOW THE MOVEMENT OF FARM-COMMODITY PRICES, ALTHOUGH LOANS HAVE LAGGED BEHIND PRICES. LOANS BY FEDERAL AGENCIES, SIMILAR IN CHARACTER TO SUCH PERSONAL AND COLLATERAL LOANS HAVE NOT INCREASED SUBSTANTIALLY SINCE 1934. A LARGE INCREASE HAS TAKEN PLACE, HOWEVER, IN EMERGENCY CROP AND FEED, REHABILITATION, AND COMMODITY STABILIZATION LOANS.

AGRICULTURAL LOANS SECURED BY FARM REAL ESTATE AND INDEX OF LAND VALUES

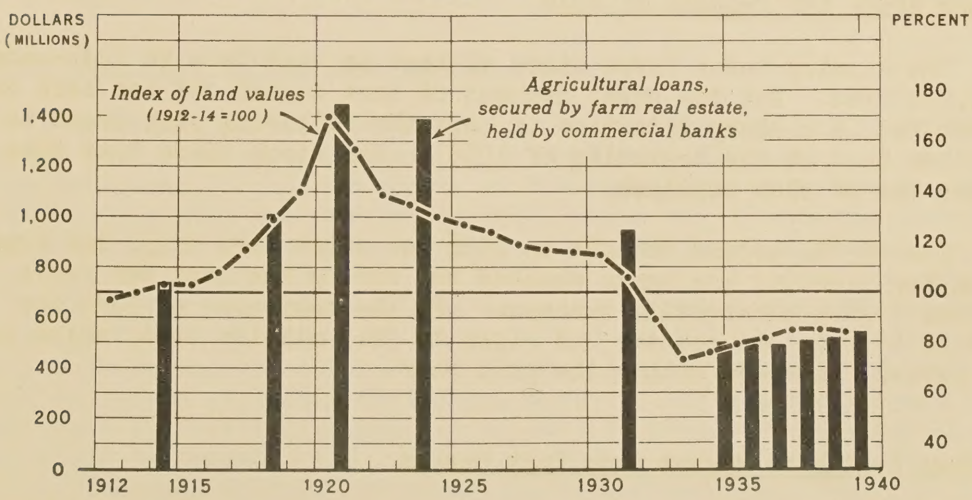

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FIGURE 4.- THE VOLUME OF FARM REAL ESTATE LOANS HELD BY COMMERCIAL BANKS HAS TENDED TO FOLLOW THE TREND OF FARM-LAND VALUES, ALTHOUGH BANKS SOMETIMES INCREASE THEIR HOLDINGS OF FARM-MORTGAGE LOANS FOR A TIME AFTER REAL ESTATE VALUES TURN DOWNWARD IN ORDER TO OBTAIN ADDITIONAL SECURITY FOR ADVANCES PREVIOUSLY MADE.

Loans granted for sound productive purposes can frequently assist farmers in increasing their farm income. It is therefore to the interest of agriculture that an efficient credit system be available to farmers to finance continuously sound productive credit needs. An agricultural loan should not be considered desirable solely because the security is adequate. It is necessary to take into consideration whether the loan will be used for a purpose which will increase the income of the farmer in a sufficient amount to repay the loan and not require him to liquidate a necessary part of his operating capital. It is likely that commercial banks can improve their loan service to farmers if they have a better understanding of agricultural conditions.

In a partial effort to develop a better understanding in this direction, there is presented in the following pages a discussion of the situation relative to some of the major agricultural commodities, and some brief information on some of the Federal agricultural agencies whose policies have a bearing upon the loan operations of commercial banks. The discussion deals with the following commodities: hogs, beef cattle, sheep, wheat, corn, and cotton. The output of these six lines of agricultural products represents nearly half of the total income from crops and livestock in 1939.

AGRICULTURAL OUTLOOK, BY COMMODITIES

HOGS

Comeback Since the Drought of 1934

The country had a large stock of hogs on hand back in 1934--some 58,600,000 head. But the great drought of that summer cut the corn crop and resulted in a sharp reduction in hogs the following year (down to 39 million head at the beginning of 1935). The story since that time has been one of slow comeback.

Due to the second drought in 1936 and short feed crop, the expansion in hog breeding was again checked but during the last two years there has been a substantial increase. By the beginning of 1940 the number of hogs in the country had risen to 58.3 million head, which was an 18 percent increase within the past year.

More Hogs Coming to Market than Last Season

A seasonal increase in hog marketings probably will get under way during the next month or so as the fall pigs begin to come in in large volume. In view of the unfavorable relation between hog and corn prices,

the movement of fall pigs may be a little earlier than usual this year, though some farmers may carry fall pigs through the spring months on as little feed as possible and fatten for market in the early summer, thereby utilizing pastures and other green feed for hogs more than they ordinarily do.

Marketings of packing sows will increase during the late spring and summer as is usual. The number and proportion of packing sows in the total slaughter during the last half of the hog marketing year (April-September) may be somewhat larger than in the like months of last year.

The run of hogs to market has been heavier this season than a year ago and probably will continue materially larger the rest of the season, through September. It seems probable that total inspected slaughter through the seven months March-September may be a little more than 25 million head or about 4 million more than in the like period last year.

Probably Smaller Pig Crops This Year Than Last

It was thought four or five months ago that the pig crop this spring would be about like that of last spring. Since December, however, corn prices have advanced and hogs declined; the feeding situation is the least favorable now in more than two years. The likelihood is that fewer sows have been kept to farrow this spring than was indicated earlier. In other words, both the spring and fall pig crops this year will probably be smaller than the 1939 crops and the production of pork and lard in 1940-41 will be smaller than during the 1939-40 season. There will be fewer hogs coming to market next winter than has been the case this winter.

More Hogs the Chief Explanation of Low Prices

In general, the chief explanation for the low price of hogs this winter has been the large increase in production. The output of pork and lard has been considerably in excess of our usual domestic requirements. About 84 million pigs were raised in 1939, which was 13 million more than in 1938 and was the largest number produced in at least 16 years.

Back in the 1924-33 period we exported annually the pork produced from about 2.6 million hogs and the lard from 21 million hogs. In actual quantities those exports amounted to about 323 million pounds of pork and 710 million pounds of lard. Last year, however, our exports of pork amounted to only about 130 million pounds and of lard to about 280 million pounds. Prospects are unfavorable for increasing exports in 1940 much above the 1939 level. In the case of lard the situation is further complicated by the fact that the output of edible vegetable oils in the United States is now considerably larger than it was before 1933. Most of this increase has been in soybean oil.

The conservation program has been responsible for a material reduction in corn acreage but because of good yields corn production in the past three years has been fairly large. Loans have been made to farmers on large quantities of corn and the storage of this corn has held the increase in hog production in the past two years to less than it otherwise would have been. Some decrease in the number of pigs raised is expected this year. Adjustment in production through these methods, however, is necessarily slow.

BEEF CATTLE

Cattle On the Increase

Cattle numbers began to increase in 1938 and probably will continue to increase for a few more years, barring severe droughts. The number on farms at the beginning of 1940 was about 68.8 million head or about 3 percent more than a year earlier. Whereas the increase in the total cattle population in 1938 was largely in milk animals, the chief increase during 1939 was in beef cows and heifers. Probably this increase in breeding stock will be reflected in a larger calf crop again in 1940.

More Beef Will Come to Market Eventually

The present level of cattle numbers could be maintained even if more cattle and calves should be slaughtered in 1940 than were slaughtered in 1939. Further increases in numbers eventually will mean a considerably larger slaughter although little increase in slaughter appears likely during 1940.

Feed and Cattle Condition Good

Recent reports indicate that cattle in the western States have come through the winter in fairly good condition, with light losses. Range feed prospects have generally improved during the last month or two and the calf-crop prospect is good. Present indications are that the spring movement of cattle from the southwest to pasture and feed lots will total smaller than last spring.

Reasons for Lower Priced Hogs Than Cattle

For about two years cattle prices have been higher in relation to the long-time average than have hog prices. During the past 12 months especially, the decline in hog prices has been somewhat greater than that in cattle prices.

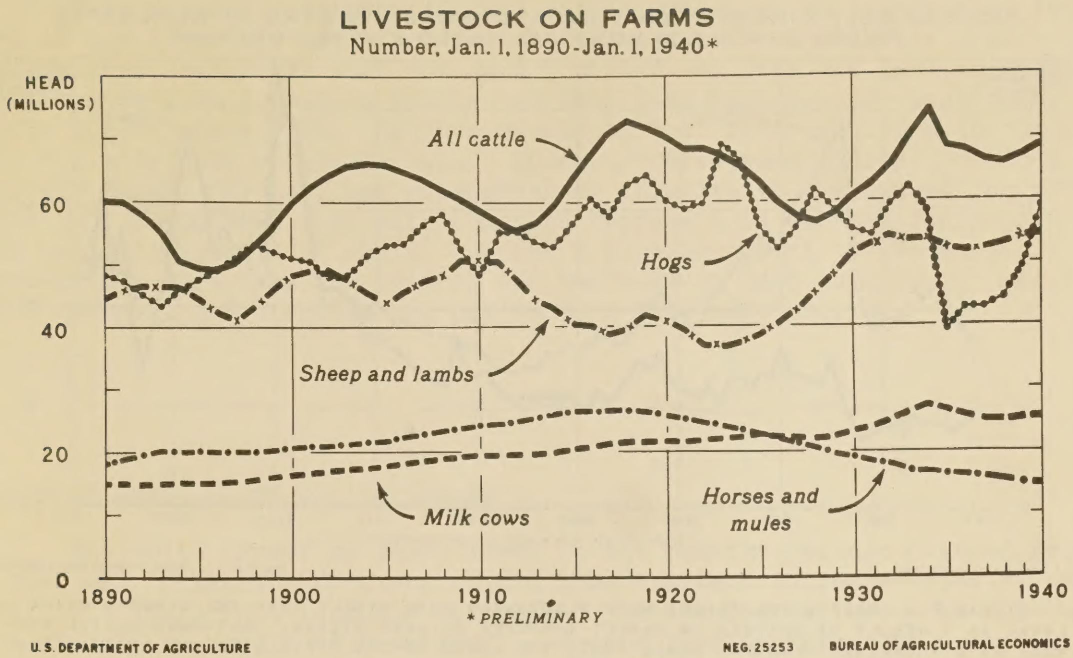

Figure 5.- Since 1920, the numbers of milk cows and sheep have increased substantially, whereas the numbers of other cattle, horses and mules, and hogs have declined. During the last 2 or 3 years, there have been small increases in the numbers of cattle and sheep, and a large increase in the number of hogs.

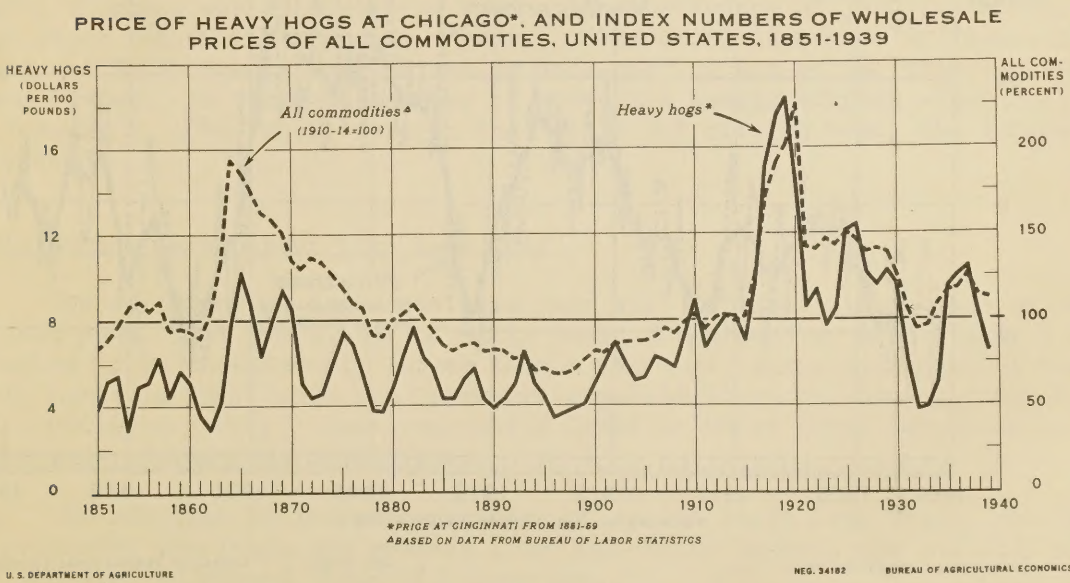

Figure 6.- Over a long period of years the broad swings in hog prices correspond fairly closely with similar movements in the prices of all commodities. There is a marked tendency, however, for hog prices to move in cycles as the result of periodic changes in hog slaughter which move in an opposite direction from the price cycles.

PRICE OF BEEF STEERS AT CHICAGO, AND INDEX NUMBERS OF WHOLESALE PRICES OF ALL COMMODITIES, UNITED STATES, 1851-1939

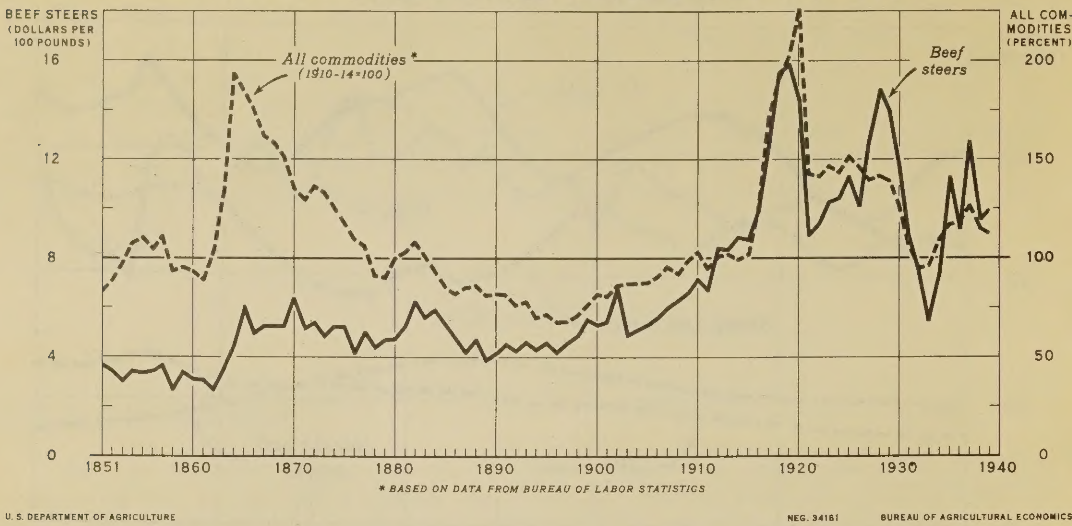

FIGURE 7.- BEEF STEER PRICES HAVE FLUCTUATED MORE WIDELY THAN THE GENERAL PRICE LEVEL AS A RESULT OF CHANGES IN MARKET SUPPLIES OF BEEF STEERS. ALTHOUGH CATTLE NUMBERS HAVE INCREASED SLIGHTLY SINCE 1937, THE LOWER PRICES PREVAILING FOR BEEF STEERS HAVE BEEN DUE CHIEFLY TO REDUCED DEMAND FOR MEAT PRODUCTS.

PRICES OF LAMBS AT CHICAGO, 1901-40

(ADJUSTED TO 1910-14 PRICE LEVEL)

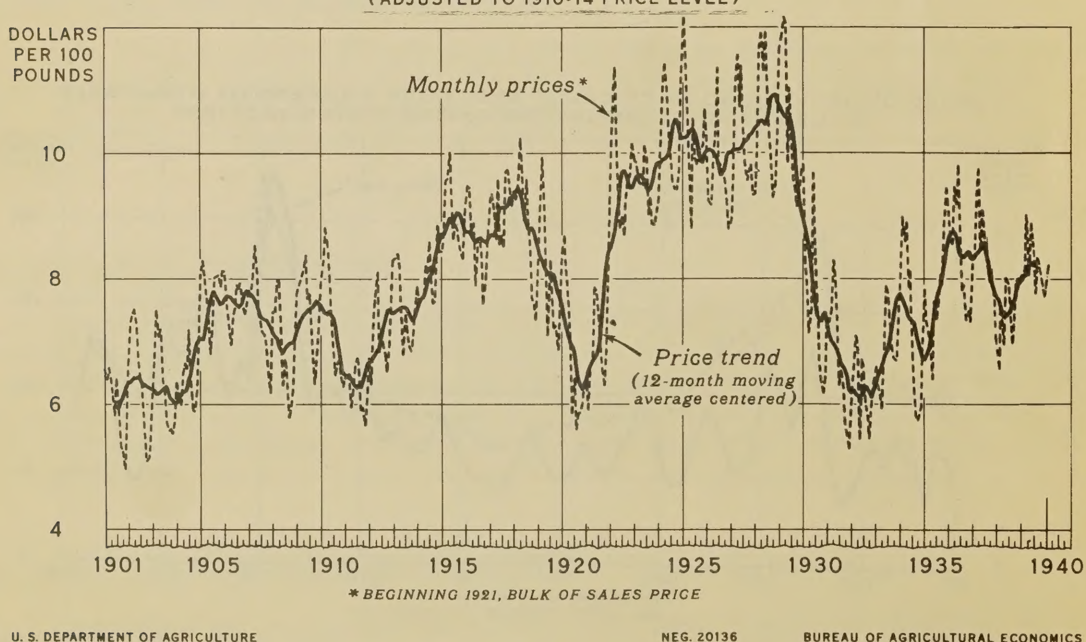

FIGURE 8.- LAMB PRICES, ADJUSTED FOR CHANGES IN THE GENERAL PRICE LEVEL, TEND TO MOVE IN CYCLES. THE BUSINESS DEPRESSION AND RECORD SUPPLIES RESULTED IN A SHARP DOWNWARD TREND IN THE PRICE CYCLE DURING 1930 AND 1931, BUT A REVERSAL OF THIS TREND BEGAN IN 1933, AS A RESULT OF IMPROVEMENT IN BUSINESS CONDITIONS.

This disparity between hog and cattle prices is an interesting feature of the livestock situation and the reasons are not entirely clear. One important reason is that the export demand for pork and lard in recent years has been weak whereas cattle and beef have not depended much on an export market since 1920. Another reason is that lard is having to compete more and more with vegetable oils. There are also some indications that consumer demand for beef has strengthened, relative to the demand for pork. Since 1933 there have been rather marked increases in charges for processing and distribution of meats; because a greater amount of processing is required for hogs than for cattle, the increase in such charges in recent years probably has affected hog prices more than cattle prices.

SHEEP

Number of Sheep Shows Little Change

The total number of stock sheep in the country has not changed greatly in the last 10 years. However, it did show a slight increase (about 1 percent) last year; this increase raised the total number of sheep at the beginning of 1940 to nearly 48.5 million head, the largest number on farms in recent years.

Increase in Texas, Also Some in Native Sheep States

Most of the increase in stock sheep during 1939 was in the so-called native sheep States. In the west, including South Dakota and Texas, the number of sheep was 33.8 million head at the beginning of 1940, which was only about 165,000 increase in a year. Substantial increases in Texas, Montana, and South Dakota were offset by decreases in six of the other western sheep States. In Texas the number of sheep has nearly tripled since 1923; on January 1, 1940, there were in that State 9.8 million head, the largest on record.

Early Spring Lambs About Like Last Year

The early spring lamb crop this year will total about the same as that of last year. But the number of early lambs for slaughter before July 1 is expected to be considerably larger than a year ago, since many more of the early lambs in California and Texas are expected to reach slaughter weight and condition by July. Last year early lambs in those areas developed poorly because of bad feed conditions.

In addition to larger marketings of spring lambs from Texas, shipments of grass-fat yearlings and wethers from that State between now and July also are expected to exceed those of a year ago.

Small Stocks of Wool on Hand

Total stocks of wool in this country last fall were much smaller than a year earlier and below average. The carry-over into this season is small. The stock of wool in the Southern Hemisphere likewise is much smaller than a year ago. However, the production of wool in Australia, New Zealand, and South Africa appears to be ample for the current needs of England and France.

WHEAT

Assumption of a 925 Million Bushel Supply This Year

The domestic wheat supply for this coming season is expected to total around 925 million bushels. This figure is based on April 1 indications of a winter wheat crop of 626 million bushels, a spring wheat crop (including durum) very tentatively placed at 200 million bushels on the basis of average yields on prospective plantings, and a carry-over of about 300 million. Last year, 1939-40, the total domestic supply was 1,009 million bushels, including a crop of 755 million and carry-over of 254 million bushels.

Would Leave a Smaller Carry-over Next Summer

Assuming a supply of 925 million bushels, we can reckon a domestic disappearance of about 660 million bushels, which would leave a quantity for export to foreign countries and for carry-over on July 1, 1941, of about 265 million bushels. It is expected that exports this season, 1940-41, will be small. (Under the provisions of the Agricultural Adjustment Act of 1938, the carry-over goal is 30 percent of a normal year's consumption and exports, or about 225 million bushels.)

More Spring Wheat?

Reports from growers March 1 regarding their acreage plans for this season indicated an area of 19.4 million acres for seeding to spring wheat. This acreage would be about 11 percent larger than that seeded last spring (17.5 million acres). Spring wheat seedings last year were the lowest in 15 years. The acreage indicated for this spring would still be about 13 percent below the 10-year average 1929-38.

The acreage seeded to winter wheat last fall was estimated in December at 45 million acres. This, together with the acreage indicated for spring wheat, results in a total preliminary indication of 64.4 million acres, which compared with 63.9 million seeded for harvest in 1939.

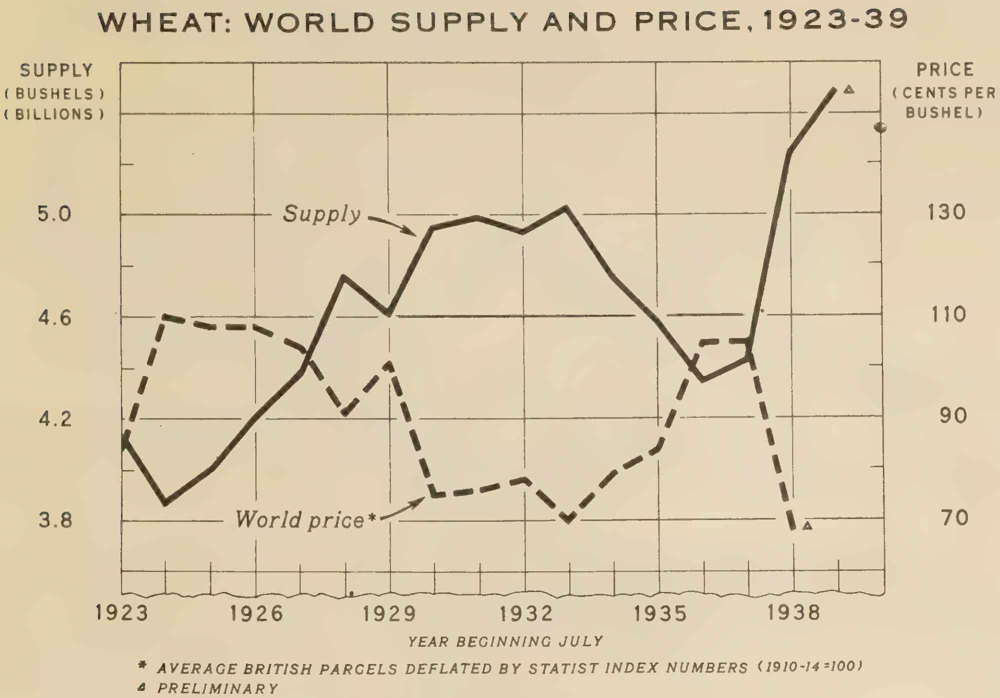

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FIGURE 9.- WHEAT PRICES REACT STRONGLY TO CHANGES IN WORLD WHEAT SUPPLIES. PROSPECTS FOR A DECLINE IN WORLD WHEAT SUPPLIES HAVE CONTRIBUTED TO THE INCREASE IN WHEAT PRICES DURING RECENT MONTHS.

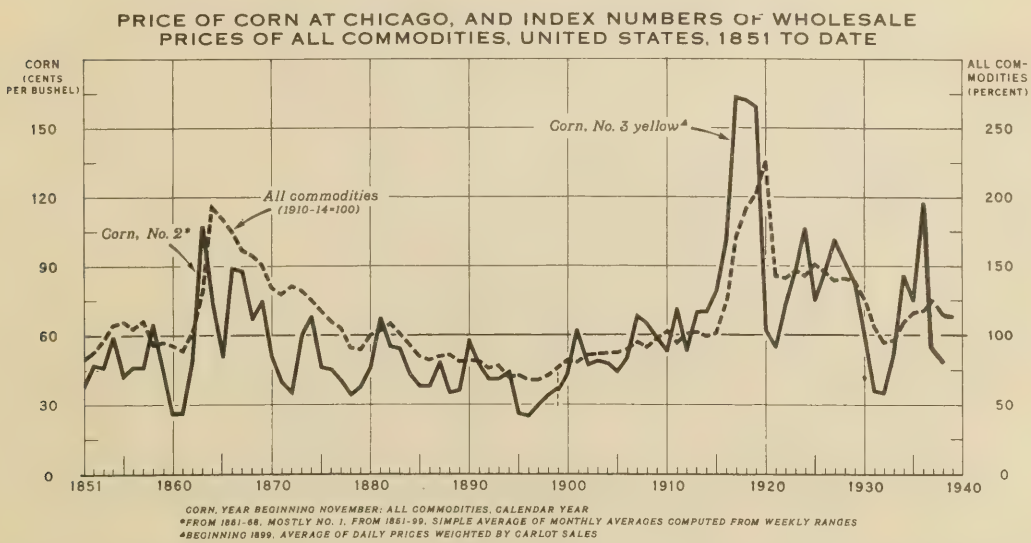

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FIGURE 10.- PRICES OF CORN, BEEF CATTLE, AND HOGS ARE CLOSELY RELATED, AS CORN IS USED PRINCIPALLY TO PRODUCE BEEF, PORK, AND LARD. FAVORABLE FEEDING RATIOS UNTIL RECENTLY HAVE CONTRIBUTED TO THE INCREASE IN HOG AND BEEF CATTLE NUMBERS AND HAVE THUS HELPED TO CREATE AN IMPROVED MARKET FOR CORN.

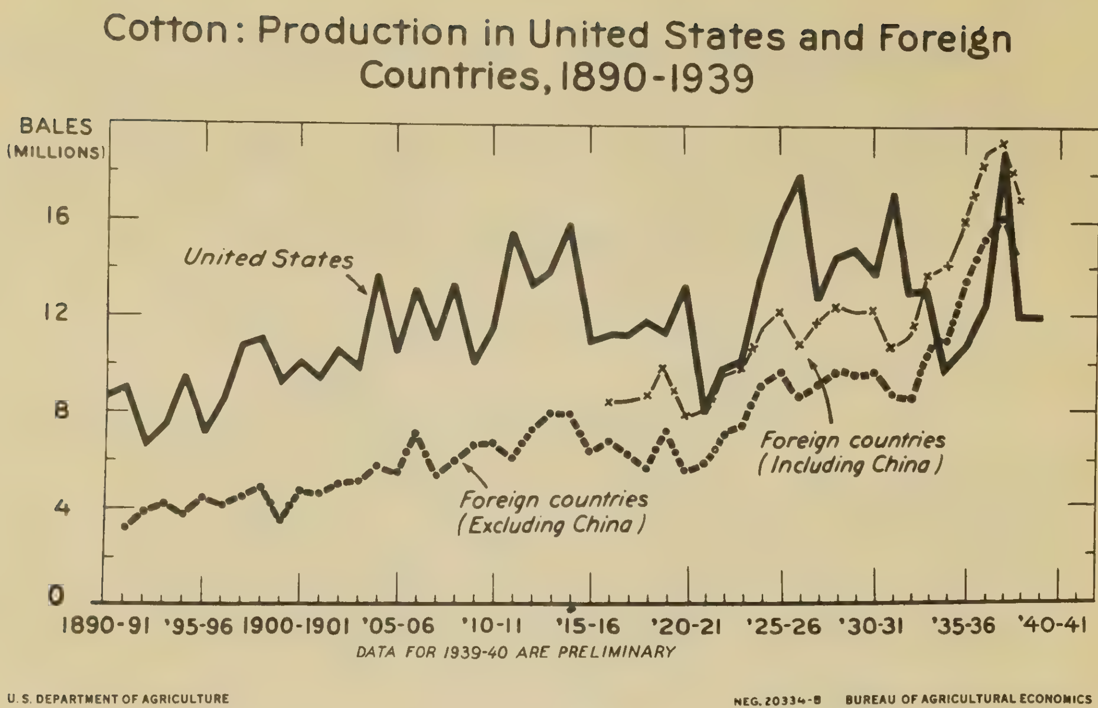

FIGURE 11.- COTTON PRODUCTION IN FOREIGN COUNTRIES HAS BEEN MUCH LARGER THAN THAT IN THE UNITED STATES EACH YEAR SINCE 1933-34 WITH THE EXCEPTION OF 1937. PRIOR TO 1932, THE UNITED STATES CROP GENERALLY WAS MUCH LARGER THAN TOTAL PRODUCTION IN FOREIGN COUNTRIES.

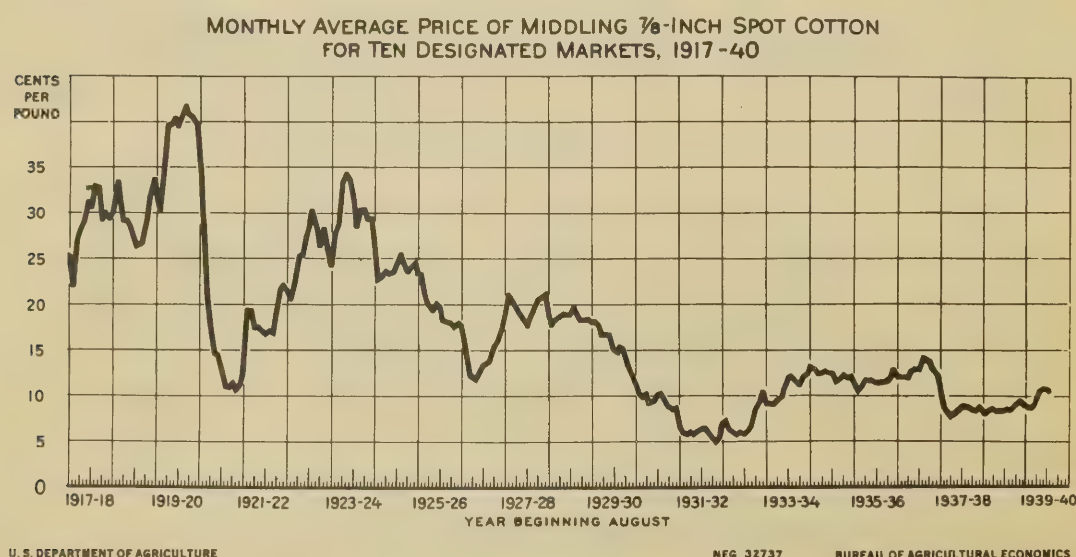

FIGURE 12.- DOMESTIC COTTON PRICES SHOWED AN UPWARD TREND FROM 1932 TO THE LATTER HALF OF 1936-37, THEN DECLINED SHARPLY THROUGH THE FIRST QUARTER OF 1937-38. SINCE THEN PRICES HAVE VARIED WITHIN A COMPARATIVELY NARROW RANGE AT LEVELS THE LOWEST SINCE 1932-33 BUT CONSIDERABLY HIGHER THAN DURING MOST OF 1931-32 AND 1932-33.

Wheat Condition Uncertain

There is still much uncertainty about the prospect for winter wheat and the full effects of the dry fall planting season will not be known for some time. The weather during the winter would indicate some improvement in crop condition since December 1, particularly in the Pacific Northwest and in much of the eastern soft winter wheat area. Over large parts of the Great Plains a heavy loss of acreage is certain.

Less Wheat in the World This Year?

The 1940 wheat crop in many other countries has been handicapped by a poor start. With no increase in acreage probable it seems reasonable to expect that the 1940 world wheat crop will be smaller than that of 1939 or 1938 when yields were above average. This would result in a reduction in the large world carry-over by July 1941.

Wheat prices in the United States are expected to average relatively higher than prices in other surplus-producing countries as long as the Government loan and export subsidy programs continue and domestic production is not large.

CORN

Plenty of Corn Since 1936

The total supply of corn this season has been above average. The crop and carry-over totaled over 3,192 million bushels, compared with 2,718 million bushels for the 1928-32 average.

The present corn situation in its relationship to livestock, really dates back to the droughts of 1934 and 1936. The feed shortages those two years reduced livestock numbers about 12 percent below the 1928-32 average. Then in 1937 and 1938 high yields of corn resulted in unusually large supplies; stocks accumulated and the carry-over of corn on October 1, 1939, was the largest on record. Corn prices declined sharply in late 1937 and have been low the past two years. Price ratios which had been very unfavorable to feeders during the drought years became advantageous during 1937 and 1938 but low prices of hogs have again put the feeders at a disadvantage since early December 1939.

The acreage of corn indicated for this year is around 87.8 million acres. This acreage and yields slightly below the average of the past three years would result in a corn crop next fall of a little less than 2.4 billion bushels. A crop of this size together with the unusually large carry-over in prospect would give a total supply in excess of 3 billion bushels.

More Corn Under Seal This Year

About 254 million bushels of 1937 and 1938 corn remained sealed for loans at the close of the 1938-39 corn marketing year. Sealing of the 1939 corn progressed at a somewhat more rapid rate than the year before. It is estimated that around 300 million bushels of 1939 corn were under seal by the first of April, making the total quantity of corn sealed around 550 million bushels.

Prices

Corn has been somewhat higher in price this spring than last, this apparently reflecting an increased number of livestock, improvement in business activity and demand, a larger number of farmers eligible for loans and a poor outlook for winter wheat. Prices for corn normally are fairly stable during the period November-May. After May the new crop prospect usually becomes important in the market but this year it may have less influence because of the large reserve and the stabilizing effect of the corn loan program.

COTTON

Large World Supply

The world supply of cotton has been at a near-record figure of about 50 million bales during the last three seasons. On August 1, 1939, the world went into the current cotton season with a carry-over of 21,500,000 bales.

Some Reduction in American Stocks

The stock of American cotton in the world at the beginning of August was some 14 million bales. Domestic and foreign consumption prospects now indicate that the world carry-over of American cotton on August 1, 1940 is likely to be about a million bales less than last August. Within the United States the carry-over next August 1 seems likely to be about two million bales less than last August (when the total was about 13 million)--but stocks of American cotton in foreign countries are expected to increase by a million bales or more. The world carry-over will be the fourth largest on record and about two-fifths larger than the 10-year average 1929-38.

Heavy Domestic Consumption

Domestic consumption of over 5.2 million bales of American cotton during the eight months ended March established a record high for the period despite a marked decline in mill activity since December. Even with some

additional decline in mill activity total consumption for the current season seems likely to exceed 7.5 million bales, compared with 6.7 million bales last season. This, together with prospective exports, seems likely to result in a total distribution of more than 13.5 million bales as contrasted with 10.1 million bales in the preceding year.

Foreign Consumption

Foreign consumption of American cotton is expected to be somewhat larger this season than last but will be much smaller than United States exports. As a result the foreign carry-over of American cotton will show a marked increase over the small stocks of August 1 last year. This increase seems likely to equal or exceed a million bales, thereby offsetting roughly half or more than half of the decrease in domestic stocks.

Cotton-mill activity in the allied and neutral countries of Europe continues fairly high. Manufacturers' sales, however, were apparently relatively small in Great Britain, France, and certain other countries. But mills generally are said to have fairly large unfilled orders. The lack of skilled mill workers which has existed in France and England is believed to have been alleviated somewhat in France, in recent weeks.

In Japan, mill activity was reduced through the early months of this year, the decline being attributed largely to a shortage of fuel.

Low Prices in Liverpool

The decline in domestic cotton prices during recent weeks has been accompanied by a still greater decline in Liverpool. As a result the export price of American cotton in Liverpool, converted to cents per pound, fell in late March to its lowest point relative to domestic prices since the outbreak of war in September. In Liverpool, prices of American cotton continue low in comparison to most other growths.

ITEMS FROM THE GOVERNMENTAL PROGRAM

COTTON.......Maturity on 1938 crop cotton loans extended to July 31, 1941...Up to March 26, 1,777,000 bales of 1938 stocks liquidated leaving 2,705,000 bales still under loan.......After July 31, 1940 requests for release of loan cotton will not be accepted unless request is submitted to CCC or its agent on a standard form within 15 days after it has been executed by the producer.......CCC felt this action desirable to protect producers in marketing loan cotton at current market prices.......Since the price of cotton has exceeded the 1938 loan price plus carrying charges, large quantities of cotton have been redeemed from the loan and marketed. The use of the new form protects producers' interests.

BARTER PROGRAM.......No barter cotton has been shipped since early February following British-U.S. agreement to withhold shipments of barter cotton until May 1 to relieve congested shipping conditions. British ships sailing from U.S. have allotted space for only 100,000 bales monthly. This space has been given over to movement of "free cotton". Unless the agreement to withhold barter cotton is extended, the program will get under way again May 1. So far 216,955 bales of barter cotton shipped--more than third of 600,000-bale total.....The British have shipped less than one-fifth of the rubber under the barter agreement.....Rubber prices have advanced more rapidly than cotton since the agreement was made.

EXCHANGE PROGRAM......At no extra cost to CCC, low-grade, short staple cotton in government stocks is being exchanged for high-grade, long staple cotton privately owned......War demand for coarse goods has increased demand for low grade cotton....CCC now has released 160,595 bales of low grade cotton which will be exchanged on equal value for high grade cotton in private stocks.

WAREHOUSING......Under Act of August 11, 1939, CCC has accepted bids from seven New England Warehouses for storing up to 300,000 bales of government-owned cotton suitable for New England manufacture. Bids ranged from 7 to 8 cents per bale per month for storage and insurance. Shipments will begin as soon as suitable cotton is located......

WHEAT......Area in which 1939 loans on farm stored wheat may be renewed has been extended to include Kansas, New Mexico, Colorado, 22 counties in Oklahoma and 27 counties in Texas.....Areas previously announced include Idaho, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. About 24 million bushels are eligible to be resealed out of 97,104,000 bushels reported still under loan on April 4......By April 4 farmers had liquidated 70,472,000 bushels of the 1939 loan stocks.....Due date is April 30, 1940.....

CORN.....Most recent tabulation shows 290,561,719 bushels now under 1939 corn loan....March 31 was final date for loan application on 1939 crop.....Final figures expected to reach 300 million bushel mark. In addition farmers hold title to 12,449,331 bushels of 1937 corn stored on farm, 136,714,170 bushels of 1938 corn stored on farm.....Another 12,178,291 bushels of 1937 and 1938 corn to which farmers hold title is stored in commercial warehouses......CCC holds title to 29,967,080 bushels of corn delivered for payment of loans, and another 61,024,000 bushels stored in steel bins. All corn loans--for 1937, 1938, and 1939--are due on August 1, 1940. Loans for 1938 and 1939 were made at a rate of 57 cents a bushel. The 1937 loan was made at 50 cents plus an additional 7 cents upon renewal in 1938.

Redemption of Food Stamps by Banks

The percentage of stamps redeemed through banks under the Government's surplus Food Stamp Plan varies widely from city to city, depending upon local conditions in the area of operation. This is indicated by a recent preliminary survey of the redemption of stamps in the territory served by the Southern Regional office of the Stamp Plan Division, Federal Surplus Commodities Corporation.

The survey showed that stamps redeemed through banks amounted to slightly over 99 percent in Macon, Georgia; 93 percent in Greenville, South Carolina; 84 percent in Memphis, Tennessee; 87 percent in Wichita Falls, Texas; 77 percent in Columbia, South Carolina; 76 percent in Richmond, Virginia; 58 percent in Louisville, Kentucky; 43 percent in Birmingham, Alabama and in Shawnee, Oklahoma; and 25 percent in Little Rock, Arkansas. The figures are for stamps redeemed through banks by both wholesalers and retailers. Stamps not redeemed through banks are brought directly to the local office of the FSCC in each Stamp Plan area for redemption by the Treasury.

Figures on stamp redemptions through banks are being compiled for the other Stamp Plan regions. Preliminary figures from all areas show that the tendency is for wholesalers and retailers to clear fewer of their stamps through local banks.

Increased Domestic Consumption of Surplus Commodities

Surpluses in approximately 20 different agricultural products have been bought by the Federal Surplus Commodities Corporation since the beginning of 1940 under programs designed to improve marketing conditions for farmers. Supplies bought are made available to State welfare agencies for direct distribution to relief families and for free school lunches as a means of encouraging increased domestic consumption.

Among the more important products bought on a Nation-wide basis were butter, eggs, lard and pork products, and apples. Other purchases included oranges, pears, raisins, dried prunes, dry beans, onions, and flour.

In prospect among the major commodities are continued purchases of butter and eggs during the spring period of peak production. Purchases of various pork products are expected to continue in view of the burdensome surplus which exists.

Additional quantities of surplus commodities are being moved into consumption through the Stamp Plan. A total of 16 commodities are officially listed as being in surplus and available to needy families in exchange for the free blue stamps. Butter, eggs, lard and certain pork products are among the products most in demand under the Stamp Plan. Up

to April 10 the Stamp Plan was operating in 54 areas of the 74 which had been designated up to that time.

Cotton Exports at High Level

Sales and deliveries of cotton and cotton products under the Department of Agriculture's cotton export program totaled slightly over 6,300,000 bales from July 27, 1939, when the program went into effect, to April 10, 1940. This includes sales and deliveries of cotton products equivalent to 422,000 bales.

Since January 30, 1940, exporters have been able to receive payments under the program only on foreign sales and deliveries of cotton products other than card strips and comber waste. The rates of payment on cotton, and on card strips and comber waste were reduced to zero at that time because commitments under the program had absorbed available funds.

Movement of Wheat Under Export Program

Contracts for the export of wheat and wheat in the form of flour under the Department of Agriculture's export program totaled 30,700,000 bushels from July 1, 1939 to April 10, 1940.

Since January 1, 1940, the wheat export program has been limited to exports from Pacific Coast ports to certain destinations in order to provide some additional outlet for accumulated surpluses of wheat in the Northwestern States. Contracts made for shipments from these ports from January 1 to April 10 total 6,300,000 bushels of wheat and wheat in the form of flour.

The program is in effect for exports of Pacific Coast wheat and flour to the Philippine Islands, Hong Kong, and China, and for Pacific Coast wheat to European destinations only.

Wheat Crop Insurance Program

Over 379,000 wheat growers have taken crop-insurance policies on their 1940 crops to insure the production of approximately 106,000,000 bushels of wheat. In the six States, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas, where drought occurs frequently, more than 200,000 policies have been issued on the 1940 crop to insure the production of about 64,500,000 bushels of wheat. Last year, nearly 80,000,~~000~~ growers in these States had an insured production of 28,000,000 bushels; owing largely to drought, they received indemnities amounting to about 6,500,000 bushels of wheat.